



OFFSHORE

ENERGY. COMMITTED.



ANNUAL REPORT 2019

2.7 OPERATIONAL EXCELLENCE

MANAGEMENT APPROACH

Group Operational Excellence functions are organized to support operational and assurance functions, with the goal of achieving the most efficient and effective operation over the full lifecycle, through standardization and digitalization of processes in all areas of the Company's business, as part of its ambition to 'Target Excellence'.

This goal is pursued in one hand via the Fast4Ward® program (see section 2.2) and in the other hand via the maintenance of the Company's Global Enterprise Management System (GEMS) (see section 3.10.1), our Group Technical Standards (GTS) (see section 3.10.2) and Process Safety Management framework. Part of this framework is the continuous improvement cycle, achieved through lessons learned, as well as the adoption of best practices, including the application of the International Sustainability Rating System (ISRS) (see section 2.7.2).

For more information on Operational Governance, please refer to section 3.10.

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The Company supported the journey to Target Excellence that is the guiding force to become "the best in everything we do" across our three-pillar strategy of 'Optimize, Transform, Innovate'. Efforts were made to streamline GEMS, learn from events and to progress other continuous improvement initiatives.

Key achievements

- Learning from events at Management level through investigation and follow-up of significant incidents.
- Adoption of a number of lessons learned initiatives with the purpose of analyzing, developing and implementing robust solutions to improve our operations.
- Deployment of our corporate Hazards and Effects Management Process, based on industry best practice for Advanced Barrier Management, as highlighted in section 2.7.1.
- Continued deployment of Process Safety Management and Investigation/Root Cause Analysis training programs.
- Ongoing integration of Operations Management System documentation into GEMS.

FUTURE

The following objectives have been set for 2020:

- Continue to optimize GEMS, including restructuring and simplification where required.
- Process Safety Management strategy and targets as highlighted in section 2.7.1.
- Continuation of the deployment of ISRS and Process Safety Management frameworks, including the

development or improvement of associated tools, where required, and further strengthening hazard management processes.

- Maintain efforts on continuous improvement, including incident investigation and follow-up, and lessons learned initiatives.

2.7.1 PROCESS SAFETY MANAGEMENT

MANAGEMENT APPROACH

A Process Safety Management (PSM) framework and program based on an industry standard^{23,24} is in place which, when applied throughout the product lifecycle, aims to reduce the risk of major accidents. This approach incorporates industry good practice in Inherently Safer Design²⁵ and Advanced Process Safety Barrier Management²⁶ and applies a hierarchy of hazard management that follows:

- Elimination – Avoid the hazard completely
- Substitution – Reduce the severity of the hazard by changing its nature
- Minimization – Reduce the hazard severity by minimizing its scale
- Moderation – Reduce the hazard severity by changing the impact of a potential hazardous event
- Segregation – Limit effects of a hazard by reducing its potential of causing harm
- Simplification – Reduce the likelihood of a hazardous event by inherent features of the design
- Engineering controls – Reduce the likelihood of the hazardous event or impact by adding controls to the design
- Administrative controls – Reduce the likelihood of the hazardous event or impact by adding administrative controls
- Personal Protective Equipment – Reduce the likelihood of impact to people by providing them with Personal Protective Equipment (PPE)

The PSM framework consists of a set of risk-based priority activities and practices that are being embedded in the Company's GEMS and the GTS, which have been aligned with the ISRS improvement activities.

All LOPC events occurring offshore are reported to the relevant parties within the organization and analyzed to identify appropriate treatment measures. SBM Offshore follows IOGP 456 and American Petroleum Institute (API) 754 standards for LOPC classification. The annual statistics

²³ 'Guidelines for Risk Based Process Safety' by the Centre for Chemical Process Safety (CCPS)

²⁴ PSFs are a set of 10 guidelines that reinforce best practices targeting causal factors related to PSE with the objective of reducing LOPC events.

²⁵ 'Guidance on applying inherent safety in design: Reducing process safety hazards whilst optimising CAPEX and OPEX' by the Energy Institute EI.

²⁶ 'Bowties in Risk Management. A Concept Book for Process Safety' by the CCPS and EI

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are compared to previous years and benchmarked against IOGP averages.

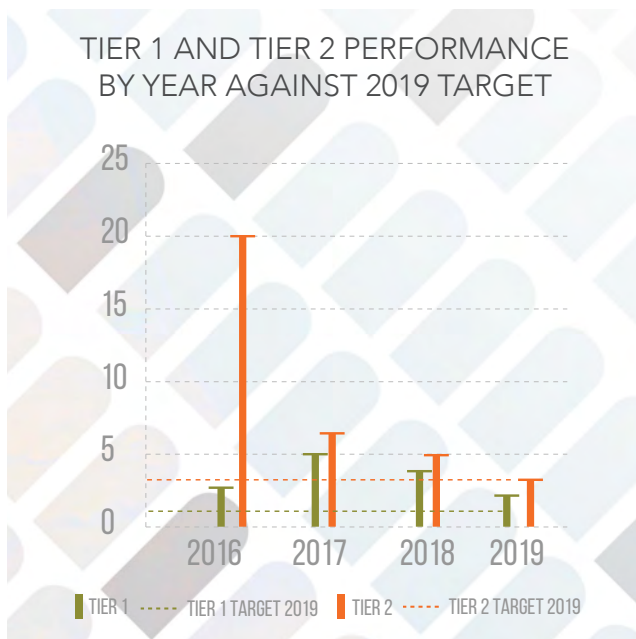
2019 PERFORMANCE

Key achievements

- Development and implementation of a revised Hazards and Effects Management Process, based on industry best practice.²⁷
- Implementation of a digital permit to work platform on most of our operated assets.

Key results

- The Company did not meet its target for Tier 1 Process Safety Events (PSE) as there were two Tier 1 incidents in 2019, which is one higher than targeted.
- The number of Tier 2 PSE did meet our target which was to be better than the IOGP average, based on number of offshore hours worked.
- A total of 348 process related LOPC events were recorded, of which 199 were of API 754 classified materials.



FUTURE

The following objectives have been set for 2020:

- As with 2019, for 2020 SBM Offshore have set their targets for Tier 1 and Tier 2 PSE to be better than the IOGP average for the amount of manhours worked. Based on last years manhours, this would relate to one Tier 1 and three Tier 2 events.
- Continue implementation of the PSM framework throughout our business processes.

2.7.2 QUALITY AND REGULATORY MANAGEMENT

MANAGEMENT APPROACH

SBM Offshore is committed to performing its business in full compliance with all applicable laws and regulations and to delivering products and services meeting all related regulatory requirements, as well as any applicable specifications and requirements imposed by relevant stakeholders (including, but not limited to, clients). SBM Offshore is equally committed to Continuous Improvement and is actively using DNV GL's ISRS system, adopted in 2014, as a tool to incorporate best practices into SBM Offshore's ways of working.

As part of the Group Operational Excellence functions, the combined Quality & Regulatory Management function is dedicated to ensuring that such objectives are consistently met in the Company's core business, notably through:

- Promoting a quality and compliance culture across its organization and ensuring appropriate behaviors.
- Ensuring compliance of GEMS with relevant international standards (including, but not limited to, ISO 9001) and, in turn, ensuring effective compliance of the organization with GEMS.
- Providing systematic identification of regulatory requirements applicable to its core business activities and ensuring their implementation within the organization.
- Ensuring that conformity, compliance and acceptance of the Company's products and services are effectively achieved and maintained throughout their lifecycle.
- Supporting continuous improvement, notably through the management of an ISRS Action Plan established to gradually reach an ambition level consistent with Company strategy.
- Increasing standardization and digitalization through the Fast4Ward® program.

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Key achievements in 2019

- Active promotion of quality and regulatory compliance through communication campaigns (combined with HSSE and Process Safety) and a global celebration of World Quality Day.
- Maintenance of SBM Offshore's ISO 9001:2015 certification.
- Quality improvement initiatives in the context of SBM Offshore's ambition to Target Excellence, focusing notably on 'Costs of Non-Quality'.
- Full deployment of SBM Offshore's 12 Quality Rules as a quality-focused complement to SBM Offshore's well-established Life-Saving Rules and Process Safety Fundamentals.

²⁷ 'Bowties in Risk Management. A Concept Book for Process Safety' by the CCPS and EI

- Regulatory watch and research, as required to support the Company's Win, Execute and Operate activities and strengthen corresponding assurance coverage.
- Implementation of the ISRS Action Plan, including ISRS assessments of a selection of operating units and onshore locations.

Most importantly, all Company offshore facilities were duly approved by all relevant authorities and regulators, with all related permits, licenses, authorizations, notifications and certificates duly granted and maintained valid. Offshore facilities have also remained 'in class' at all times, as required from both statutory and insurance perspectives.

FUTURE

Key objectives for 2020

- Leading contribution to the Company's journey to Target Excellence, with specific focus on the 'No Defects' target and the 'right first time' principle.
- Renewal of SBM Offshore's ISO 9001:2015 certification, as required every three years.
- Reduction of Cost-of-Non-Quality (and Cost-of-Non-Compliance) through systematic tracking, investigations and pilot initiatives to both prevent and mitigate future occurrences across the Company's Corporate, Win, Execute and Operate activities.
- Smarter and leaner management system ('GEMS 2.0'), assurance activities and ways of working, building on ISRS best practices and the Fast4Ward principles.
- Development of an integrated product assurance approach as a way to close quality gaps and increase efficiency and predictability.
- Building competence in 'design thinking', 'lean' and 'agile' ways of working.
- Effective use of independent third parties (including, but not limited to, certification and classification bodies, as shown in section 5.5) for inspection, verification and assurance services related to Execute and Operate activities.
- Maintenance of an effective regulatory watch and interface with regulators, supporting ongoing business, innovation and new ventures.

As a permanent, overarching objective, all Company projects, facilities and sites are to be performed, delivered and maintained in full compliance with all applicable laws, regulations and requirements from relevant stakeholders.



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2.8 OUR PEOPLE: OUR COMPETITIVE EDGE

MANAGEMENT APPROACH

SBM Offshore's employees are the main drivers of the Company's success. Their diverse skills represent an incomparable advantage for the Company. To serve its stakeholders, SBM Offshore wants to attract and work with the best talents. Competition for highly qualified management and technical personnel is intense in the Company's industry. Future success depends, in part, on SBM Offshore's ability to hire, assimilate and retain engineers, sales people and other qualified personnel.

To effectively meet ramp-up demands, SBM Offshore has set up a 'best in class' centralized recruitment function. Together with a resource planning cycle and an internal talent development, SBM Offshore is better able to identify the skills it has and compare them to the skills it needs. In taking this approach, the Company is now better able to overcome the challenges associated with the time taken to recruit scarce high-demand skilled workers and plan effective recruitment strategies in advance of the need.

2019 PERFORMANCE

During the past year, SBM Offshore recruitment aims focused on its ability to successfully deliver on its project commitments to clients. The plans focused on two main areas; the increase in headcount for six key locations, which support its Global Project Organization, along with the goal of reducing voluntary leavers. The locations of focus were; Bangalore, China, Houston, Kuala Lumpur, the Netherlands and Monaco. To ensure an effective introduction of these new joiners into the Company, its Culture, core Values and DNA, an investment was made to ensure a global Onboarding program was in place. This consists of a 90-day program, mentorship for new joiners and easily accessible introduction videos. This allows people across the world to experience the same SBM Offshore.

In 2019, SBM Offshore invested in Expert Management by creating a new Human Resources (HR) position dedicated to it. SBM Offshore now has a clear business governance setup and a 2020 roadmap, defined and validated, concerning Experts Management. In addition, the Company performed an Expert internal survey to collect feedback and perceptions about Expert Management from selected representatives of the technical community. The Company also performed an Expert Talent Review to enhance the dynamic between Technology/Technical/Project/Operations, achieve a robust talent pipeline for the critical Expert roles (by order of priority) and agree on development opportunities for current incumbents in critical Expert roles and critical talents.

In 2019, SBM Offshore continued its focus on talent in the Company. The Company seeks to continuously improve its talent management approach and align it with its strategy. In 2019, SBM Offshore introduced a potential assessment questionnaire, built around three dimensions: knowledge, personal agility and leadership traits. Talent Pools to support 'out of the box' succession planning have been created. We keep attention on succession planning and indicate successors for chosen key succession roles.

In 2017, SBM Offshore launched its first Pulse Survey, a survey open to all employees, which aims to monitor employees' engagement and target specific areas of improvement, with the implementation of action plans in each of its entities. Throughout 2019, the action plans of the 2018 Pulse Survey were created, implemented and supported by HR, Management and Employees. The actions are tracked, updated on a quarterly basis, and available to all employees on the HR SharePoint of SBM Offshore. The Pulse Survey will be conducted every 18 months, with the next survey due to take place in April 2020.

Initiated in 2018, the LUCY project has continued in 2019 to implement the full suite of SAP Successfactors across the main SBM Offshore locations. In addition to Employee Central to manage complex HR Administrative process for joiners, leavers and transfers, the LUCY project has reached its ambition to cover all remaining HR processes, such as performance management, talent reviews, succession planning, compensation and benefits, and recruitment. Some new features and possibilities are now open for the HR community, while allowing employees and managers to access to all relevant information such as their own employee profile, company organization chart, vacation calendars and more ...

FUTURE

Concerning talent acquisition, there is generally a shortage of engineers and people with technical expertise in the industry. To address this, the Company will be developing better initiatives to work closer with local governments, universities, colleges and schools where its production and operations facilities are located. SBM Offshore will be working together to encourage social mobility and attract young people into engineering and will capitalize on its own diverse talent to train, coach and mentor tomorrow's talent today.

In 2019, SBM Offshore continued its commitment to promote diversity and inclusion by developing close relationships in the countries in which the Company operates, developing opportunities for local people, communities and businesses alike. The Company strives to continue on this path and increase diversity throughout the